

Message Text

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PAGE 01 COLOMB 03146 111036Z

ACTION EB-08

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00

FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02

OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

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E.O. 11652: N/A

TAGS: ECON, EFIN, EAID, PINT, EAGR, CE

SUBJ: FINANCE MINISTER WARNS SUBSIDIES CANNOT CONTINUE

REF: COLOMBO 3062

BEGIN UNCLASSIFIED

1. FOLLOWING ARE EXCERPTS FROM A JULY 8 SUN ARTICLE REPORTING A SPEECH BY FINANCE MINISTER RONNIE DE MEL (OTHER PAPERS CARRIED SIMILAR STORIES): QUOTE: FINANCE MINISTER MR. RONNIE DE MEL SAID YESTERDAY THE GOVERNMENT COULD NOT GIVE FREAIMKPS EVERY DAY, IMPORT WHEAT FLOUR AT RS. 2 A POUND AND PROVIDE IT TO CONSUMERS AT 80 CENTS OR CONTINUE TO PROVIDE FUEL AT HALF THE IMPORT COST.

2. MR. DE MEL FURTHER SAID THE GOVERNMENT COULD NO LONGER CONTINUE TO SUBSIDIZE BUS AND TRAIN FARES.

3. HE POINTED OUT THAT EVEN IN SOCIALIST COUNTRIES SUCH AS CHINA AND THE SOVIET UNION NOTHING WAS PROVIDED FREE. IN CHINA, EVEN TO ENTER THE ZOO AND THE MUSEUM ONE HAD TO PAY. "WE MUST FOLLOW THEIR ROAD TO ECONOMIC DEVELOPMENT IF WE ARE TO PROVIDE MORE JOBS," HE STATED.

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PAGE 02 COLOMB 03146 111036Z

4. THE FINANCE MINISTER STRESSED THAT THE COUNTRY COULD NOT ACHIEVE RAPID DEVELOPMENT WITHOUT SOME SACRIFICE MADE BY THE PEOPLE. "HOWEVER, THE GOVERNMENT WILL NOT SLASH ALL SUBSIDIES AND IMPOSE HARDSHIPS ON THE MASSES NOTWITHSTANDING THE DEMANDS OF THE WORLD BANK AND THE IMF," MR. DE MEL ASSURED.

5. HE OBSERVED THAT SRI LANKANS EMPLOYED ABROAD HAD A RE-PUTATION AS HARD WORKERS IN THOSE COUNTRIES. "WHY CAN'T THEY WORK AS HARD IN THEIR OWN COUNTRY," HE ASKED.

6. "ANY GOVERNMENT WOULD LIKE TO RAISE WAGES BUT WITHOUT ECONOMIC GROWTH, THIS CANNOT BE DONE," MR. DE MEL SAID. END QUOTE.

END UNCLASSIFIED

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7. COMMENT: PRESIDENT JAYEWARDENE AND OTHER SENIOR SRI LANKAN OFFICIALS ASSURED THE IMF THAT FLOUR PRICES WOULD BE RAISED FURTHER (REFTEL). THE MINISTER'S SPEECH APPEARS TO BE THE OPENING GUN OF A CAMPAIGN TO PREPARE PEOPLE FOR HIGHER PRICES.
LEVIN

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